

	Presenter/Author	Title of Paper
21-Mar-10	Venue: University of Yarmouk, Jordan	
Session 1		
11.00 am-13 noon		
	Room A	
1A	Associate Professor Captain Zakiyah Mat Radzi RMN	Teaching and Learning Maritime Study using Simulation Technology
1A	Prof Dr Maliah Sulaiman	Academic Integrity: Understanding Motivations to Plagiarise
1A	Nazimuddin bin Ahmad	School Financial Managements Problems Among Malaysian Headmasters : A Survey
1A	Muhammad Khairi bin Mahyuddin	Leveraging Human Capital From Islamic Spiritual Education: A Study in the Pondok Remaja Inabah 1, Malaysia, Kuala Netang, Kedah
1A	Shahynee Ahmad	The Relationship Between Entrepreneurial Orientation and Business Performance of Malaysia SMEs
	Room B	
1B	Dr Nurwati Ashikin Ahmad-Zakihi	The Initial Returns of Malaysian Real Estate Investment Trusts
1B	Noralfiah Ahmad	Cash Flow Management in Entrepreneurship
1B	Mohd Faisol Ibrahim	Applications of Islamic Home Financing in Malaysia: Qualitative Approach
1B	Seniwati	The Impact of Terrorism to Indonesian Economy
1B	Osman bin Jusoh	The Entrepreneurial of Malaysian Small and Medium Enterprises (SMEs) in Logistic: Practice, Challenge, Performance and Innovation
	Room C	
1C	Dr Che Azlan bin Taib	Impact of ISO 9000 Certification in Academic Libraries in Malaysia : Empirical Study
1C	Associate Professor Dr Ahmad Shukri Yazid	Enterprise Risk Management (ERM) Practices among Government-Linked Companies (GLCs) in Malaysia
1C	Dr. Muhammad Nasri Md Hussain	The Relationship between Islamic Work Ethic, Work Conflict, Reward and Job Satisfaction
1C	Sohaluddin Bin Abdul Hamid	Penghayatan Agama Sebagai Mekanisme Pembentukan Motivasi Kerja Usahawan Melayu (In appreciation of Religious Formation Mechanism Work Motivation Malay Entrepreneur)
1C	Thi Lip Sam	B2B E-Commerce Adoption Among Small & Medium Enterprise: An Analysis of Multinomial Logit Model
	Room D	
1D	Dr Noor Lizza Mohamed Said	Request to an Hei in the Law of Wills and Malaysian and Jordanian Personal Status Law to Compare the Provisions of Islamic Commmentment
1D	Assoc Prof Dr Abdul Halim Majid	Video documentary
1D	Prof Dr Nor Hayati Ahmad	Managing Credit Risk: Best Practice of Malaysian Islamic Bank
1D	Masriawati	The Effect of Budget Participation, Locus of Control, Job Relevant Information, Cultural Dimension on Job Performance and Job Satisfaction
1D	Mohammad Oqleh Al-Smadi	Factors Affecting Banks' Credit Risk: Evidence from Jordan
Session 2		
15.00-17.00pm		
	Room A	
2A	Dr Sany Saunuri	Exploratory study of CRM Measurements in Malaysia Customer Contact Centers
2A	Dr Maziah Che Ghazali	Consumers' Attitude Toward Direct E-Mail Advertising
2A	Mohammad Sulaiman Alnasser	The Impact of Trust in Online Purchasing Behavior: Cross-cultural Study Comparing Malaysia with Saudi Arabia
2A	Sumariyah binti Abd Aziz	Developing successful business model for entrepreneurs
2A	Dr Norrida Abdul Manab	Enterprise-Wide Risk Management (EWRM) Practices: Between Corporate Governance Compliance and Value Creation
	Room B	
2B	Dr Sany Saunuri Mohd Mokhtar	The Development of Islamic Quality Management System Guidelines - Requirements Related To Measurement, Analysis and Improvement
2B	Prof. Madya Datin Dr. Noor Naemah Abdul Rahman	THE EFFECT OF LOCALITY AND REALITY CHANGES IN FATWA: A STUDY IN SOME DIFFERENCES BETWEEN MALAYSIA AND
2B	Ustaz Mohd Nizho Bin Abdul Rahman	Tasawwur Islami: Satu Analisis Hubungannya dengan Prinsip Pembangunan Berteraskan Islam
2B	Md Zawawi Bin Abu Bakar	COMPARATIVE ANALYSIS ON THE RIGHTS OF MARRIED COUPLE UNDER ISLAMIC FAMILY LAW
2B	Associate Professor Dr Asmadi Mohammed Naim	The Issue of Sequence and Pre Signing in Contract Execution between Shari'ah View and Current Practice

THE EFFECT OF BUDGET PARTICIPATION, LOCUS OF CONTROL, JOB RELEVANT INFORMATION, CULTURAL DIMENSION ON JOB PERFORMANCE AND JOB SATISFACTION

**BY
MASNAWATY SANGKALA**

1.1 Background of the study

Frucot and Shearon (1991) mentioned that the effectiveness of the management planning and control systems used in developing countries remains an important issue because as developing countries will become more industrialized and progressive they may import system and techniques from the more industrialized nations. Indeed such importation may be encouraged by educational institution and consultants. Unfortunately, the progressive local firm may be importing systems from the industrialized world without considering the potential impact of cultural differences on the success of implementing such system

Prior research indicates that cultural differences have an effect on management control system (MCSs) such as a participative budget process (Maria, 2002). In the context of organizational culture, multinational firm are faced with an additional problem arising from the multicultural setting in which they operate; i.e., the interaction of organizational members with diverse cultural backgrounds. According to Frucot and Sheron (1991) this cultural interface can occur at various levels within the organization; for example between the subsidiaries high and low-level management (i.e., when an American executive is sent to manage the Mexican subsidiary) or between the management of the subsidiary and the parent. The diverse cultural backgrounds translate into a lack of cognitive similarities which can significantly hamper communication at that interface (Stening, 1979). Baker et al. (2009) studied the organizational

identification by examining the impact of cultural values as antecedent on organizational identification in a multinational sales force. The cultural values and beliefs of 137 business-to-business sales force employees of a multinational company operating in the United States, Canada, United Kingdom, Australia, and New Zealand were measured at the individual level to examine their impact on organizational identification. They concluded that collectivism, masculinity, uncertainty avoidance, and long-term orientation were found to be significantly correlated with organizational identification, but power distance was not related.

In the context of national cultural, Hofstede's (1983) study of cultural values found that Indonesian ranked high on the power distance index in contrast with the US., which was considered low in this measure. Conversely, the US ranked high in individualism and masculinity/femininity in contrast with Indonesia which was ranked low on those dimensions. The only dimension for which Indonesia was ranked approximately the same as the US was uncertainty avoidance.

According to Maria (2002), in the participation-performance relationship, culture moderate job relevant information, but culture was not found to be a moderating variable in the participation-satisfaction relationship. The cultural values of the United States and the Mexican managers were very similar and there was just enough difference in culture values to detect a weak effect of culture. She found that culture was still as a contributor to the relationship between budget participation and performance and job satisfaction.

In Indonesia, there are approximately three hundred native ethnic groups excluding the immigrant ethnic groups such as Chinese, Indian, and Arab. Of the three hundred of native ethnic groups, a major group is "Javanese". Each ethnic group has its own unique culture and in many cases these ethnic cultures are not compatible (Koentjaraningrat, 1975). Researcher contend that

significant differences exist between many ethnic cultures in Indonesia and such differences are likely to influence the impact of a management control system on the behavior of employees coming from different ethnic background. For that reason, researcher consider cultural dimensions as moderating variable because it is important to understand the impact (if any) of an ethnic culture on employee behavior. The term ethnic culture refers to the culture that is common among people who perceive themselves as constituting a community because of ancestry, language, history, religion, or customs (Riggins, 1992). Frucot and Shearon (1991), for instance, suggest that culture influences values, and behavior of employees.

Brownell (1981, 1982b) investigated Rotter's "locus of control" as moderating variable on job performance and job satisfaction and found that a manager who has an internal locus of control tends to perform better when the company uses a participative budgeting system. On the other hand, a manager who has an external locus of control tends to perform better under a non-participative budgeting system. Rotter (1966) views locus of control, which is a personality variable, is viewed as a "generalized belief that a person can or cannot control his own destiny". Maria (2002) showed that locus of control as a personality variable can be acted as a moderating variable that affects the participation-performance and the participation-job satisfaction correlation. Indonesian managers which come from varies ethnic group which each group has its own unique culture were expected to react differently to a corporate policy requiring participation in budget process based on their ethnic cultural background. For that reason, researcher consider locus of control as a personality variable as moderating variable. The other reason is to find a model that may explain how budgetary participation relates to managers' performance and satisfaction in Indonesia.

Kren (1992), Magner et al. (1996), and Chong and Chong (2002) have examined the cognitive role of budgetary participation. These studies confirmed that budgetary participation facilitates the gathering of job-relevant information. Kren (1992) defines job-relevant information as “information that facilitates job-related decision making”. According to Shields and Young (1993), one of the primary reasons that companies use participative budgeting is to facilitate the communication of private information from subordinates to superiors (also see Shields & Shields, 1998). In Indonesia, power distance index is higher than US (Hofstede’s 1983). It means that the top management has absolute authority and pushed the subordinate (Ghozali et al. 2005). This condition may have some impact on the communication flow. For that reason, researcher consider job relevant information as moderating variable to create an environment where the communication flow would improve performance and job satisfaction. Beside that, job relevant information as a mediating variable between budget participation and performance has introduced by Kren (1992). For that reason, researcher also consider job relevant information as mediating variable to find a model that may explain how budgetary participation relates to job performance in Indonesia.

Lau and Tan (2003) found a positive relationship between job relevant information and satisfaction. Insofar as job relevant information reduces role ambiguity, the negative relationship between role ambiguity and satisfaction theorized and found by Chenhall and Brownell’s (1988). The results of those study support the researcher’s expectation of a positive relationship between job relevant information and satisfaction.

Vroom (1964), Petty, McGee, and Cavender (1984) founded that the relationship between satisfaction and performance is a positive, but very weak. The relationship between Job performance and satisfaction are complex (Jacobs and Soloman, 1977). For that reason,

researcher consider both job relevant information and satisfaction as mediating variables in the relationship between budget participation and job performance.

The present study extends the work of Brownell (1981), Frucot and Shearon (1991), Maria (2002), Maria et al (2007,2009) and adapt their work to Indonesia, one of the Asia Nation with different cultural dimension. The purposes of the present study are to determine whether locus of control, job relevant information and cultural dimension (different ethnic cultures) have effects, either moderating or mediating on the relationship between participative budgeting and job performance and job satisfaction.

1.2.Problem Statements

The correlation between participation in the budgeting process and job performance and job satisfaction has been a much researched proposition, such as expectancy theory (eg. Brownell and McInnes, 1986), cognitive dissonance theory (eg.Tiller, 1983), person-environment fit theory (eg. Shield, Deng and Kato, 2000), organizational justice theory (eg. Libby,1999,2001) and role theory (eg. Chenhall & Brownell, 1988). Most area of studies is in behavioral research in management accounting. Although there are a lot of research attempting to discover the correlation between variables in budgeting participation and job performance and satisfaction, but the results in prior studies have led to equivocal.

Empirical evidence on the relationship between budgetary participation and performance has been offered by several researchers, such as Lau et al. (1995), Milani (1975), and Gul et al. (1995). Some studies have found a positive relationship between budgetary participation and job performance. Other studies have suggested that there is a weak positive relationship (Milani, 1975), or even a negative relationship (Kenis, 1970), between the two factors . These mixed

results indicate that no simple relationship exists between budgetary participation and job performance, and suggest that there could be other variables involved.

Shields and Shields (1978) cited Hofstede (1967)'s study found a positive relationship between budget participation and satisfaction. Chenhall and Brownell (1988) find both a significant direct relationship between budget participation and satisfaction and a significant indirect relationship between budget participation and satisfaction running through role ambiguity as a mediating. Frucot and Shearon (1991) find a significant positive relationship between budget participation and satisfaction by using Mexican managers as a sample.

Brownell (1981, 1982b) indicated that a personality variable, internal and external locus of control, impacts the relationship between budgetary participation and both managers' performance and job satisfaction.

Rotter (1966) stated in the locus of control construct categorizes individuals as (1) external, those who believe that events are controlled by fate, luck, chance or powerful others, or (2) internal, those who believe that they have some control over events.

Kren (1992) introduced a path model with job relevant information as a mediating variable between budget participation and performance. He theorized and found evidence increased budget participation leads to increased performance through the increasing in job relevant information. Campbell and Gingrich (1988) provided evidence supporting the positive performance effects of job relevant information. According to Chong and Johnson (2007), higher levels of budgetary participation led to increased job-relevant information under condition of high task uncertainty. This result supports the budgetary participation, which is consistent with numerous prior empirical studies (e.g., Kren, 1992; Magner et al., 1996; Shields and Shields, 1998).

Candra (2007) studied the influence of budget adequacy and job-relevant information as variable mediating on the relationship between budget participation and managerial performance. He distributed questionnaires to 900 production managers or chief operational officer or production supervisor at garment and textile company in West Java and Banten. The result of research showed that budget participation did not influence directly managerial performance, job-relevant information did not influence budget adequate and budget adequate did not influence managerial performance. However, the study showed that budget participation influenced budget adequate, budget participation influenced job-relevant information, and job-relevant information influenced managerial performance.

Simplistic views of relationship between participative budgeting and job performance and job satisfaction have led to equivocal results in prior studies. Nevertheless, problems arises because these views did not consider whether other variables may in one hand moderate and one other hand is mediate the relationship of participative budgeting on job performance and job satisfaction.

To offset partially this limitation, therefore, the current study examines three variables: locus of control, cultural dimensions, and job relevant information that may influences those relationship. This study will be conducted in a field setting in Indonesia.

Previous studies have confirmed the expected positive direction of the interactive effects of locus of control and job relevant information on job performance and job satisfaction in participative budgeting. The current study will examine these relationships in a different "Indonesia" cultural setting mainly in different ethnic culture ("Javanese" and "non Javanese" but not include the immigrant ethnic group, Chinese, Indian and Arab). In addition, the interactive effects of five cultural dimensions mainly in different ethnic culture with participative

budgeting will be tested. These latter interactive effects have not been examined in previous studies.

1.3 Research Questions

This study addresses seven primary research questions

1. Does the participative budgeting have a positive relationship with job performance or job satisfaction?
2. Does the locus of control variable moderate the effect of participative budgeting on job performance or job satisfaction?
3. Do selected cultural dimensions moderate the effects of participative budgeting on job performance or job satisfaction?
4. Does the job-relevant information variable moderate the effect of participative budgeting on job performance or job satisfaction?
5. Does the job satisfaction variable mediate the relationship between participative budgeting and job performance?
6. Does the job-relevant information variable mediate the relationship between participative budgeting and job performance?
7. Does the job-relevant information and job satisfaction variables mediate the effect of participative budgeting on job performance

1.4 Research Objectives

The Research Objectives of the present study are :

1. To investigate whether there is a positive relationship between participative budgeting and job satisfaction and job performance.

2. To investigate whether there is a significant moderating effect of locus of control on the participative budgeting-job satisfaction and job performance relationship.
3. To determine whether there is a significant moderating effect of culture dimensions on the participative budgeting-job satisfaction and job performance relationship
4. To examine whether there is a significant moderating effect of job-relevant information on the participative budgeting-job satisfaction and job performance relationship
5. To examine whether there is a significant mediating effect of job satisfaction on the participative budgeting and job performance relationship
6. To examine whether there is a significant mediating effect of job-relevant information on the participative budgeting and job performance relationship
7. To examine whether there is a significant mediating effect of job-relevant information and job satisfaction on the participative budgeting and job performance relationship

1.5 Significant of the Study

In the relationship between budgetary participation and job satisfaction, some studies have found a positive relationship between budgetary participation and job performance (e.g., Brownell and McInnes, 1986, Dunk, 1993). Other studies have suggested that there is a weak positive relationship (Milani, 1975; Mia, 1988) or even negative relationship (Bryan and Locke, 1967; Kenis, 1979).

In the relationship between budgetary participation and job satisfaction, some studies have found a positive relationship between budgetary participation and job satisfaction

(e.g., Cherrington and Cherrington, 1973; Milani, 1975; Collin, 1978). Other studies have suggested that there is a negative relationship (Vroom, 1960; Tosi, 1970).

Empirical evidence on the relationship between budgetary participation-performance and budgetary participation-satisfaction has been offered by several researches by using varieties mediating and moderating variables such as; *locus of control as moderating variable* (Brownell, 1981; Latham and Yuki, 1976; Yuki and Latham, 1978; Frucot and Shearon, 1991); Goal level, goal commitment and Task Relevant Knowledge as moderating variable (Vroom, 1960; Brownell, 1982c); *motivation as mediating variable* (Searfoss and Monczka, 1973 ; Ronen and Livingstone, 1975 ; Kenis, 1979, Merchant, 1981 ; Brownell and Mc Innes, 1986). *Job-relevant information as mediating variable* (Maria et al., 2007 ; Chong and Johnson, 2007 ; Chong and Chong, 2002). *Job-relevant information as moderating* (Maria, 2002). *Culture as moderating variable* (Baker et al., 2009). *Culture as mediating variable* (Maria et al., 2007). This research also using culture as a moderating variable same to Baker et al. 2009. Baker et al. 2009, focused their study on expands and contributes to the organizational identification literature by examining the impact of cultural values as antecedents on organizational identification in a multinational sales force. They used samples from sales force employees of a multinational company operating in developed countries (United States, Canada, United Kingdom, Australia, and New Zealand). The current study will focus on the potential impact of ethnic culture (in Indonesia) on the relationship between participation budgeting and job performance and job satisfaction. The samples will be taken from manufacturing firm listed in Jakarta stock exchange (Bursa Efek Jakarta). The result of this study will be used as references to related to the characteristic of ethnic cultural of managers in Indonesia. The result may be useful in developing training program by considering cultural of managers in Indonesia. The current research is quiet

difference from Maria (2002) because Maria (2002) only used four cultural dimensions (individualism/ collectivism, power distance, masculinity/femininity, and uncertainty avoidance), while the current research considers time orientation as the fifth cultural dimensions. Bearden et al. (2006) stated that time orientation is an important dimension in all cultures. Nations vary on how individuals value time, and how they view time's passage. Clugston et al. (1997) stated that those with a short-term orientation emphasize the present time. These individual lack a comprehensive vision for the future. They want quick results and instantaneous gratification and even willing to sacrifice long-term viability for short-term gain. Those with a long-term orientation value persistence and are satisfied with steady slow gains.

In determining the relationship between participation in the budgeting process and job performance and job satisfaction, some researches has been use varieties theories, such as expectancy theory (eg. Brownell and McInnes, 1986), cognitive dissonance theory (eg. Tiller, 1983), person-environment fit theory (eg. Shield, Deng and Kato, 2000), organizational justice theory (eg. Libby, 1999, 2001) and role theory (eg. Chenhall & Brownell, 1988).

The current study may reveal that a firm owned by outside interests should exercise caution when applying participative budgeting techniques in Indonesia. While the result would not necessarily be generalizable to countries other than Indonesia, a multinational firm's management may wish to consider more thoroughly job relevant information and cultural differences between management's country of origin and the locality where their firm operates. Hopefully, findings in this study can provide a starting point for such considerations, i.e., the study hopes contribute to the behaviorial and management accounting.

The current study may also lead management control system designers in Indonesia to consider using or developing techniques in the budgetary process that are appropriate for this

region (It is mean that the study hoping contribution to the practition). This present research, along with the Brownell (1981,1982b), the Frucot and Shearon (1991), Maria (2002) and Maria et al (2007,2009) studies, could also become a basis for replication in other cultures. Replications are needed to allow findings in this and prior studies to be generalized to other developing countries.

In other words, the result of this study can give contribution to improve theory that related to management and accounting knowledge and also to the practice of participative budgeting of manufacturing firms and as reference for research in the future who want to work in the field of managerial accounting.

1.6 Organisation of the Study

The study is organized as follow. First, the background of the study as well as the purpose were presented above. Second, a review of the literature encompassing relevant research on Participative Budget, Job Perfomance and Job Satisfaction context is discussed. Third, the theorical framework and methodology of the study is more precisely provided in details and hypotheses model are developed. Fourth the qualitative pilot study and quantitative data analysis are described as well as results on hypothesis testing are provided. Finally, the result of the study are discussed, limitation of the study, implications and suggestions for future research and final conclusion.

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